

Message Text

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 927

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

USCINCPAC

C O N F I D E N T I A L NEW DELHI 11701

CINCPAC FOR POLAD

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SUBJ: SANJAY SPEAKS OUT - A VOICE FROM THE RIGHT?

1. IN TWO RECENT CABLE (NEW DELHI 10503 AND 11580) AND IN OUR AUGUST 1 AIRGRAM ENTITLED "SANJAY GANDHI: HEIR APPARENT?" WE DISCUSSED SANJAY'S GROWING INFLUENCE AS AN ADVISOR TO THE PRIME MINISTER. IN A REMARKABLE INTERVIEW TO THE LATEST EDITION OF THE SMALL NEW DELHI MONTHLY SURGE (CIRCULATION 1000), HE STRONGLY CRITICIZED LONGSTANDING GOI/CONGRESS "SOCIALIST" ECONOMIC AND FISCAL POLICIES AND THE OPPOSITION, SPECIFICALLY THE COMMUNISTS AND JANA SANGH.

2. THE INTERVIEW IS 7000 WORDS LONG. IT WAS GIVEN TO SURGE'S EDITOR, UMA VASUDEV MALHOTRA, WHO EARLIER THIS YEAR PUBLISHED A FAVORABLE BIOGRAPHY OF MRS. GANDHI.

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3. SANJAY'S UNQUALIFIED, PUBLIC EXPRESSION OF HIS PRO-FREE ENTERPRISE, ANTI-OPPOSITION VIEWS IS ONE OF THE MORE SIGNIFICANT DEVELOPMENTS SINCE THE EMERGENCY. HE COULD HAVE GRANTED THE INTERVIEW WITHOUT HIS MOTHER'S KNOWLEDGE BUT WHETHER OR NOT HE HAD HER APPROVAL THE ARTICLE WILL CERTAINLY BE WIDELY READ AND EXACERBATE CONCERN IN LEFTIST CIRCLES.

4. SANJAY'S STRONG VIEWS MAY HAVE PLAYED A PART IN MRS GANHDI'S CURRENT CONSERVATIVE BENT IN ECONOMIC POLICIES AND IN THE RECENT "SIGNALS" ABOUT INDIA'S READINESS TO IMPROVE RELATIONS WITH THE US, REPORTED PARAS 8 NEW DELHI 11513. A SUMMATION OF THE WIRE SERVICE REPORTING ON THE INTERVIEW FOLLOWS. WE WILL HAVE A MORE COMPLETE TEXT TOMORROW WHEN SURGE APPEARS ON THE NEWSSTANDS.

5. HIS OWN ROLE: ASKED WHY HE WAS TAKING INTEREST IN POLITICS AS HE DID IN 1971 WHEN HE PARTICIPATED IN THE GENERAL ELECTION CAMPAIGN. HE SAID: "...IN 1971, THERE WAS NEED FOR SOME WORK TO BE DONE. SO I DID IT. WHEN IT WAS DONE, I LEFT IT. SO, WHEN THERE'S NEED FOR SOME WORK TO BE DONE NOW, I'LL DO IT. AND WHEN IT'S OVER, I'LL LEAVE IT." ASKED WHETHER THAT MEANT HE WAS NOT BASICALLY INTERESTED IN POLITICS HE SAID: "BASICALLY, I'M INTERESTED, BUT I'VE GOT OTHER COMMITMENTS AND I HAVE TO FULFILL THOSE." ASKED IF THE CHILDREN OF PEOPLE IN POWER SHOULD KEEP ALOOF FROM POLITICS ALTOGETHER, HE REPLIED: "I DON'T THINK A PERSON SHOULD KEEP ALOOF FROM ANY FIELD BECAUSE OF A RELATIONSHIP." HE SAID, IN REPLY TO A QUESTION, THAT WITH THE PRIME MINISTER, HIS WAS "TO SOME EXTENT" A RELATIONSHIP OF FRIENDSHIP. HIS MOTHER DID LISTEN TO HIS VIEWS, "BUT THAT DOESN'T MEAN SHE DOES EVERYTHING I SAY."

6. NATIONALIZATION: SANJAY STATED THAT THE PUBLIC SECTOR SHOULD FUNCTION ONLY IN COMPETITION WITH THE PRIVATE SECTOR, AND "WHERE IT CANNOT FUNCTION IN COMPETITION WITH THE PRIVATE SECTOR IT SHOULD DIE A NATURAL DEATH". ACCORDING TO WIRE SERVICE ACCOUNTS, HE STATED HE "DID NOT BELIEVE IN NATIONALIZING ANY SECTOR", AND RATTLED OFF STATISTICS

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ON THE GOI'S POOR PERFORMANCE IN RUNNING THE COAL MINES, NATIONALIZED IN 1971.

7. BIG BUSINESS: "IN A CONTROLLED ECONOMY, ACTUALLY IT IS ONLY THE BIG BUSINESS THAT EXPANDS BECAUSE THEY ARE THE PEOPLE WHO HAVE THE RESOURCES AND THE CAPABILITY OF GETTING AROUND ALL THE CONTROLS. IT IS SMALLER FELLOW WHO CANNOT GET AROUND THE CONTROLS. SO HE IS THE FELLOW

WHO GETS HIT." AND, "IF YOU REMOVE ALL CONTROLS IT WOULD VIRTUALLY FINISH OFF THE BIG BUSINESSMEN. THEY ARE THE ONES WHO CREATE THIS LOBBY TO KEEP THE CONTROLS. IT IS PARTLY THE BIG BUSINESSMEN AND PARTLY THE BUREAUCRACY BECAUSE THIS IS WHAT GIVES THE BUREAUCRACY PATRONAGE AND MONEY."

8. TAXES: TO BRING ECONOMIC VIABILITY ONE METHOD IS TO REMOVE BLACK MARKETING. THE BEST WAY IS "TO LESSEN THE TAX." LAST YEAR THE GOVERNMENT REDUCED TAXES. "THE FINANCE MINISTRY MADE A LOT OF NOISE THAT THEY WOULD SUFFER A LOSS OF RS. 50 CRORES. IT IS A YEAR NOW AND THE RESULT IS THAT THEY HAVE GAINED RS. 45 CRORES INSTEAD."

9. POLITICAL PARTIES" IN INDIA EFFECTIVELY, THERE HAS BEEN ONLY A ONE PARTY SYSTEM. THE BASIC REASON FOR THAT ONE PARTY - THE CONGRESS - BEING EVERYWHERE AND NOT BEING ABLE TO BE DEFEATED WAS THAT THE OPPOSITION WAS SO IRRESPONSIBLE," SANJAY STATED THAT THE CONGRESS SHOULD BECOME A CADRE-BASED PARTY. ON THE JJANA SANGH: "I DON'T BELIEVE THE JANA SANGH IS A CADRE-BASED PARTY. I KNOW HOW IT FUNCTIONS IN DELHI. IN DELHI IT WAS A FAVOR-BASED PARTY. IT DID FAVORS FOR PEOPLE AND IT BASED ITSELF ON THAT." ON THE COMMUNISTS: "THE COMMUNISTS MAY HAVE A SMALL CADRE THAT ACTUALLY WORKS BUT IF YOU TAKE ALL THE PEOPLE IN THE COMMUNIST PARTY, THE BIGWIGS - EVEN THE NOT-SO-BIGWIGS - I DON'T THINK YOU'D FIND RICHER OR MORE CORRUPT PEOPLE ANYWHERE."

10. DEMOCRACY: "...DEMOCRACY DOES NOT MEAN THE FREEDOM TO DESTROY EVERYTHING THERE IN A COUNTRY. DEMOCRACY MEANS THE FREEDOM TO BUILD A COUNTRY."

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11. MARUTI CAR PROJECT: HE REFUTED THE CHARGE THAT HE DERIVED EXTRA ADVANTAGES IN STARTING THE PROJECT BECAUSE HE IS THE PRIME MINISTER'S SON. "FOR ABOUT THREE YEARS PARLIAMENT HAS BEEN TRYING TO PROBE EVERY ASPECT OF MARUTI. IF THERE WAS THE SLIGHTEST ADVANTAGE I DERIVED, EXTRA OR NOT, THEY WOULD HAVE GOT IT OUT, AND THEY WOULD HAVE REALLY THROWN IT UP." HE SAID WHILE RIVAL BUSINESSMEN WERE TO SOME EXTENT BEHIND ATTEMPTS TO SABOTAGING THE PROJECT, THE POLITICIANS AND A PART OF THE BUREAUCRACY WERE VERY MUCH MORE BEHIND THE ATTEMPTS. HE SAID SEVEN OR EIGHT MARUTI CARS WERE NOW COMING OUT OF THE PRODUCTION LINE VERY MONTH. IT WOULD GO UP TO ABOUT 5 CARS NEXT MONTH. EVENTUALLY IT WOULD BE 200 CARS A DAY.

12. ECONOMICS: IF PRODUCTION IS INCREASED, PRICES HAVE

TO FALL. WHY DON'T PEOPLE IN EUROPE AND AMERICA
HOARD? BECAUSE THE PRODUCTION IS SO LARGE THAT IF I
START HOARDING BRAND X, BRAND Y WILL TAKE OVER THE
MARKET AND BRAND X WILL BECOME REDUNDANT. THAT IS THE
ONLY SITUATION WHERE YOU CAN GENUINELY CONTROL THE
PRICES. IN ALL OTHER SITUATIONS YOU CAN'T REALLY CONTROL
THE PRICES."
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